

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 93-594-C - ORDER NO. 94-243 *lc*  
MARCH 22, 1994

IN RE: Application of Horry Telephone       ) ORDER APPROVING  
Cooperative, Inc. for Approval       ) AREA CALLING  
of Area Calling Plan.       ) PLAN

This matter comes before the Public Service Commission of South Carolina (the Commission) by way of an Application filed on September 17, 1993, by Horry Telephone Cooperative, Inc. (Horry or the Company) for approval of revisions to its General Customer Services Tariff. The purpose of the filing is to introduce a new local exchange service called the Area Calling Plan (ACP or the Plan) throughout its service area.

By letter dated October 5, 1993, the Commission's Executive Director instructed Horry to publish a prepared Notice of Filing, one time, in a newspaper of general circulation in the area affected by the Company's Application. The Notice of Filing indicated the nature of Horry's Application and advised all interested parties of the manner and time in which to file the appropriate pleadings for participation in this proceeding. Horry submitted an affidavit indicating that it had complied with these instructions. Petitions to Intervene were filed by AT&T Communications of the Southern States, Inc. (AT&T), the South Carolina Public Communications Association (SCPCA), and the

Consumer Advocate for the State of South Carolina (the Consumer Advocate).

On December 15, 1993, a public hearing concerning the matters asserted in the Company's Application was held in the Commission's Hearing Room. The Honorable Henry G. Yonce, Chairman, presided. The Company was represented by M. John Bowen, Jr., Esquire; AT&T was represented by Francis P. Mood, Esquire; SCPCA was represented by John F. Beach, Esquire; the Consumer Advocate was represented by Elliott F. Elam, Jr., Esquire; and the Commission Staff (the Staff) was represented by Florence P. Belser, Staff Counsel.

After thorough consideration of the Company's Application, the evidence presented at the hearing, and the applicable law, the Commission issues the following findings of fact and conclusions of law:

#### FINDINGS OF FACT

1. The Area Calling Plan (ACP) filed by Horry replaces "1+" dialing to exchanges in the Florence Local Access Transport Area (LATA) of South Carolina for subscribers of Horry.<sup>1</sup> Under the plan, Horry subscribers may reach other exchanges within the Florence LATA by dialing the seven digit number. Horry's ACP contains no basic or recurring surcharge. Charges are based on the number of miles, the duration of the call, and the time of day the call is placed. Charges for calls completed under the ACP are

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1. The ACP excludes any traffic originating and terminating in the Measured Extended Area Service Plan (MEAS) service area.

fifty (50%) percent of the non-discounted rate currently charged for the completion of intraLATA calls. Under the ACP, calling rates for residential and business customers are the same, as charges for each call depend upon the distance of the call, the duration of the call, and the time of day the call is made.

Horry's ACP is optional in the sense that a customer may access an interexchange carrier (IXC) to complete the call by dialing 10XXX.

2. M. O'Neal Miller, Jr. testified on behalf of Horry. Mr. Miller explained that Horry began providing local service to 421 customers in June 1952. Today, Horry has approximately 52,000 access lines, and its service area, which covers approximately 1200 square miles, consists of all of Horry County (except the municipalities of Myrtle Beach, Conway, North Myrtle Beach and parts of Surfside Beach) and a small portion Georgetown County. Tr. Vol 1, p. 19.

3. Mr. Miller testified that Horry filed the instant request in response to their customers' questions and concerns about the cost of intraLATA toll calls. TR. Vol.1, p.21. According to Mr. Miller, Horry's member base is 84% residential. TR. Vol. 1, p.21. Mr. Miller testified that Horry offers the optional Saver Service Plan but stated that the buy-in requirement for the Saver Service Plan is a deterrent to most of their customers. TR. Vol.1, p.21. Only 4/10th of one percent (0.4%) of Horry's customers subscribe to the Saver Service Plan. TR. Vol. 1, p.23.

4. Mr. Miller explained that membership in the Horry service area is growing. According to Mr. Miller, Horry County is one of the fastest growing areas in the country. Horry asserts that the Horry County and Florence area are being marketed on a regional basis rather than county by county. TR. Vol. 1, p.24. Mr. Miller contends that the Horry ACP will provide its customers with the service they desire and will also aid in the economic development of the region. TR. Vol. 1, p.25.

5. Mr. Miller testified that by reviewing traffic studies and billing files, Horry determined that over 70% of Horry's intraLATA traffic terminated in the three basic community areas of Florence-Darlington, Marion-Mullins, and Hemingway-Johnsonville. According to Mr. Miller, the Horry Board felt that the Company should not discriminate against those members whose community of interest fell elsewhere in the LATA. As a result, Horry studied the plan on a LATA-wide basis. Horry concluded that a LATA-wide offering of the plan was economically feasible for the Company and would benefit all customers. TR. Vol. 1, pp. 24-25.

6. According to Mr. Miller, the Horry subscribers will benefit from the Plan as the Horry ACP will offer expanded local calling at considerably reduced prices. Assuming same usage and calling characteristics, no customer will experience an increase in their monthly bill. TR. Vol. 1, pp 27-28. Further, subscribers will only pay for the Plan if they use the service. TR. Vol. 1, p 20.

7. Mr. Miller testified that Horry tried to develop a plan which would be revenue neutral for the Company. Assuming the same usage and calling characteristics, Horry estimates that customer charges will be reduced by approximately \$684,000 which would equate to a revenue loss to Horry of approximately \$135,000. However, Horry does not anticipate the approval of the ACP, with the associated loss of revenue, to lead to the need for a rate adjustment. TR. Vol. 1, pp.27-28.

8. Mr. Miller also testified that the ACP is merely an expansion of Horry's existing Measured Extended Area Service Plan (MEAS) which is currently in effect for calls within Georgetown and Horry Counties. TR. Vol. 1, pp.22,26. MEAS is a plan between Horry and GTE which eliminated "1+" dialing for calls between the two companies' exchanges in Horry and Georgetown Counties. MEAS also reduced the average cost of calls between the Horry and GTE exchanges by an average 70%. TR. Vol. 1, p.22.

9. Several public witnesses testified in support of Horry's ACP plan. Robert Burney, Director for the Center of Economic Development at Coastal Carolina University and a faculty member of Coastal Carolina University, testified that the ACP would provide substantial savings to Coastal Carolina University. Mr. Burney also testified that the ACP is a potential positive benefit to the economic development of the region. Mr. Burney stated that Horry and Georgetown Counties are the fastest growing counties in the state and that the growth of the Grand Strand area has provided an

"engine" for the entire Pee Dee region. Mr. Burney said that the entire area is merging into one economic unit. Mr. Burney testified that the growth of the region is evident along a corridor to the Florence area. Further, Mr. Burney stated that the two economic centers of Florence and the Grand Strand are starting to grow closer and closer. Mr. Burney stated that he supports the ACP personally, as a faculty member, and as a professional involved in economic development.

Larry Moore, Vice President of Conway Hospital, also appeared in support of the ACP. Mr. Moore testified that the Conway Hospital draws patients and employees from the Pee Dee region, not just Conway, and consequently, communication is important for the patients and their families as well as for the hospital with its employees. Additionally, Mr. Moore testified that Conway Hospital is one of thirteen hospitals in the Pee Dee composing a hospital network. Mr. Moore stated that President Clinton's (health) plan encourages this type of networking of hospitals and further testified that such a network will require increased communication among the hospitals in the network. Mr. Moore asserted that the ACP will allow the hospital to save a considerable amount of money on its long distance charges.

Franklin C. Blanton, President of Blanton Supply, testified that he does business in this area and places calls throughout the area, particularly to Dillon and Marion Counties. Mr. Blanton testified that he supports the Horry ACP as it appears the Plan will save him money.

Jimmy Rabon, Marketing Manager for Pepsi Cola Bottling Company in Conway, testified that he supports the ACP plan also. Mr. Rabon stated that as an Horry customer the ACP plan would be a great help to his company. According to Mr. Rabon, Pepsi Cola transacts a good deal of business on the telephone in their service area of Myrtle Beach, Marion, and Florence.

10. Commission Staff witness Gary E. Walsh testified that the Horry ACP plan will relieve the complaints received from Horry customers concerning the high costs of short distance toll charges. Mr. Walsh testified that the Horry plan will provide a greater savings to Horry subscribers than the Commission approved Saver Service Tariff due to the elimination of the monthly surcharge contained in the Saver Service Tariff. Mr. Walsh also testified that the ACP will be a great benefit to that sector of Horry subscribers who complete what has previously been considered short distance toll calls.

Mr. Walsh testified that two plans similar to the ACP are currently in place and in use in South Carolina. One plan is the MEAS in Horry and Georgetown Counties, and the other is the "876 Plan" in the Hilton Head and Bluffton area. Mr. Walsh also testified that the Commission has ordered United Telephone Company and Hargray Telephone Company to implement a plan in Beaufort and Jasper Counties to provide seven-digit dialing at reduced rates.

TR. Vol. 1, p.150.

Upon cross examination by AT&T, Mr. Walsh testified that the Commission's Order on intraLATA Competition contained specific language which addressed toll calls. Mr. Walsh testified that the intraLATA competition Order approved a stipulation, to which AT&T was a signatory, that identified a toll call as a call which the Commission deems should be classified in section A-18 of a Local Exchange Company's tariff.

11. The Consumer Advocate did not sponsor any witnesses in this proceeding, but it did file a post-hearing brief fully endorsing approval of the Horry ACP.

12. Horry and the South Carolina Public Communications Association (SCPCA) entered into an agreement whereby Horry amended its tariff to allow COCOT customers to participate in the ACP. The SCPCA did not sponsor any witnesses in this proceeding but did state that it supports the approval of the ACP. Hearing Exhibit No. 1.

13. Mike Guedel, Manager-Network Services Division, testified on behalf of AT&T in opposition to the ACP. Mr. Guedel testified that Horry's proposed ACP would deny Horry's subscribers the benefits of competition. TR. Vol. 1, p.98. According to Mr. Guedel, AT&T has three main concerns about the ACP: (1) that the ACP is really a toll service, not a local service; (2) that Horry's ACP offers service to its subscribers at rates below rates which the IXCs would pay for the underlying switched access service necessary to provide a comparable service; and (3) that the ACP as filed is based upon discriminatory pricing of switched access service. TR. Vol. 1, p. 98-99.



Mr. Guedel testified that due to the Area Calling Plan Principles Agreement, Horry can complete calls into another LEC's service area by paying only the traffic sensitive portion of access charges to the terminating company but without paying the terminating carrier common line (CCL) charge. Mr. Guedel asserts that IXCs such as AT&T will be required to pay both the traffic sensitive portion and the CCL charges to the terminating company and, therefore, cannot compete with Horry's ACP. Mr. Guedel argues that Horry's ACP effectively negates the IXC's ability to compete with Horry for intraLATA traffic and thereby eliminates intraLATA competition. Mr. Guedel suggests that the Commission should either make the compensation arrangements of the Area Calling Plan Principles Agreement available to all potential providers of competitive services or reject the Horry ACP, and other LEC proposals, which are dependent upon the Area Calling Plan Principles Agreement.

#### CONCLUSIONS OF LAW

1. The Commission concludes that the Horry ACP should be approved. The testimony from the hearing supports the position that the community of interest of Horry subscribers far exceeds the boundaries of the Horry service area. The Commission concludes that the benefits of the ACP as filed by Horry and as supported by the testimony of Miller, Walsh, and the public witnesses far outweigh the potential problems cited by the intervenors in this Docket.

2. S.C. Code Ann. §58-3-140(A) (Supp. 1993) designates that this Commission is vested with power and jurisdiction to supervise and regulate the rates and service of every public utility in this State and to fix just and reasonable standards, classifications, regulations, practices, and measurements of service to be furnished, imposed, or observed, and followed by every public utility in this State." S.C. Code Ann. §58-3-140 (A) (Supp. 1993) (emphasis added).

Additionally, although telephone utilities may not grant unreasonable preferences or advantages, "[s]ubject to the approval of the Commission, ..., telephone utilities may establish classifications of rates and services and such classifications may take into account the conditions and circumstances surrounding the service, such as the time when used, the purpose for which used, the demand upon plant facilities, the value of the service rendered or any other reasonable consideration. The Commission may determine any question arising under this section." S.C. Code Ann. §58-9-250 (1976) (emphasis added).

In approving the Horry ACP, the Commission has exercised its power and discretion granted by S.C. Code Ann. §58-3-140 and §58-9-250 to reclassify this calling traffic as local service. In approving the Horry ACP, the Commission has considered the potential impact which the ACP may have to encourage economic growth and development in the region, the positive impact to the subscribers in reducing rates and in ease of use, the optional

nature of the Plan where the customer may choose an alternative if he/she so desires, and the minimal impact on the revenues of the Company so that the benefits of the ACP will be afforded with no increase in rates for local or other service.

The Commission views the approval of the ACP as an extension of the MEAS service presently in use in a portion of the Horry service area. The MEAS plan was approved as a local offering in 1989 and has met with apparent success from both Horry's and the customers' perspectives.

The Commission also notes with particular interest the fact that AT&T has specifically agreed that those offerings filed under the toll sections of the General Subscriber Services Tariff (GSST) are toll services. See, Exhibit B to the May 10, 1993 Stipulation and Agreement on IntraLATA Competition attached to Order No. 93-462 (June 3, 1993). Horry filed its ACP under the local, rather than the toll, section of its GSST. In approving the ACP, the Commission has considered the toll versus local aspect of the plan and approves the reclassification of this traffic as local. Therefore, with Commission approval of the ACP as granted herein, the Horry ACP is a local service properly filed in the local section of Horry's GSST. The Commission believes and concludes that reclassification of this traffic from toll to local and adoption of the ACP plan is reasonable and in the public interest.

3. The Commission believes that the Horry ACP will benefit Horry's subscribers and therefore approval of the ACP is in the public interest. Since the ACP is optional, it will serve those

subscribers who wish to utilize it but will not burden those subscribers who either have no desire or who have no need to use the Plan. According to the studies conducted by Horry, the ACP will result in lowering subscribers bills for intraLATA service by approximately \$684,000.

4. Further, the Commission is not convinced that approval of the ACP will negate AT&T's ability to compete for intraLATA traffic, nor is the Commission persuaded that approval of the ACP will eliminate intraLATA traffic in the Florence LATA. Under ACP, a customer may choose to access AT&T, or another IXC of the customer's choosing, to complete a call within the ACP area.

5. The Commission also approves the amended language of the tariff, as set forth in the Stipulation between Horry and the SCPCA, which allows COCOT customers of Horry to participate in the ACP.

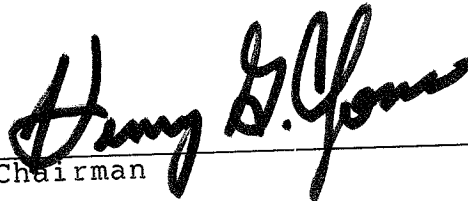
6. The Commission grants the Consumer Advocate's request that Horry be required to maintain records which will show the revenue effect of Horry's participation in the Area Calling Plan Principles Agreement on its revenue requirement and the revenue requirement of other LECs which terminate ACP-type calls in Horry's service area. The records shall also include the amount of terminating carrier common line charges avoided as a result of the Area Calling Plan Principles Agreement.

7. Based on the above reasoning and analysis, the Commission hereby approves the Horry ACP Plan as amended by the stipulation with the SCPCA. Horry shall maintain records, as set forth above, which show the impact of the ACP Plan and of Horry's participation in the Area Calling Principles Agreement.

8. This Order shall remain in full force and effect until further Order of the Commission.

IT IS SO ORDERED.

BY ORDER OF THE COMMISSION:

  
Chairman

ATTEST:

  
Executive Director

(SEAL)